

TEA



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**Montana Department
of Transportation**

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www.mdt.mt.gov**

**Transportation
Equity
Act for the
21st Century**

Message From the Director



TEA-21—the Transportation Equity Act for the 21st Century—presents tremendous opportunities for Montana. As the principal funding source for our most important roads, it's a central contributor to Montana's economic health. The program returns over two dollars for every federal tax dollar collected at the pumps in Montana. And when these resources are invested in preserving and improving our highways, Montanans reap the direct and indirect economic benefits, as well as gaining improved safety, a warmer welcome for visitors and more efficient movement of goods.

Montana had a lot at stake during the debates that led to passage of TEA-21. The House Bill strongly favored densely populated, urbanized states—and if it had passed, Montana's funding share would have plummeted. Ultimately, the legislation that did pass gives Montana an average increase of 60 percent for our highways through 2003. And the highway program wasn't the only beneficiary, as TEA-21 also includes a 55 percent increase for the Montana Highway Traffic Safety Program and a 45 percent increase for Transit.

How was this success achieved? First, by the outstanding and unified work of our congressional delegation and the leadership of Senator Baucus, the ranking minority member of the Senate Environment and Public Works Committee. In addition, the meaningful teamwork with our neighboring states and the huge effort from the congressional and MDT staff was vital.

The bill was hard won and is good for Montana. The central challenge now is to take full advantage of the benefits and opportunities of the new program.

A handwritten signature in black ink that reads "Marv Dye". The signature is written in a cursive, flowing style.

Marv Dye, Director
Montana Department of Transportation

TEA-21

Quick Facts



- Enacted June 9, 1998, it authorizes the Federal Surface Transportation Programs through September, 2003
- Increases Montana's Federal-Aid Highway Program funding by roughly 60 percent from about \$161 million annually to an annual average of about \$260 million (estimated \$1.56 billion total for 6 years)
- Increases Montana's overall Transit funding to an annual average of \$3.85 million, which is an increase of about 45 percent
- Emphasizes safety and increases funding for Highway Traffic Safety by 55 percent to \$1.5 million
- Provides Montana with important new flexibilities
 - ▼ Congestion Mitigation and Air Quality Improvement Program funds can now be used to proactively address air quality and congestion
 - ▼ General Transferability will allow the Secondary and Urban Programs to realize comparable growth
- New, Federal Trust Fund Guarantees
 - ▼ The full 18.3 cent Federal Fuel Tax will now go to the Highway and Transit Programs
- Encourages Federal regulatory streamlining while in no way diminishing environmental protections

TEA-21 Quick Facts

- **Jobs–Jobs–Jobs**
 - ▼ Federal analysis links 28 high paid jobs to each million in highway investment
 - ▼ 28 jobs per million dollars x \$260 million per year = 7,280 jobs per year (direct and indirect)
- Ended the huge drop in Highway Program share Montana experienced at the end of the previous authorization
- New requirements for state statutes may result in transfers of highway construction funds to safety programs and projects
- Continues the existing transportation planning process, which includes significant public participation and thorough technical analysis
- New programs include Border/Trade Corridor and Community Preservation Grants
- Eliminates penalty on states receiving Public Lands Discretionary Grants thus creating a new opportunity
- Strikes a good balance between those who advocated turning back the program to the states and those who wanted an expanded Federal role



What is Highway Program Reauthorization?

Over the last two years, one of the most critical issues confronting Montana's transportation system has been reauthorization of the Federal-Aid Highway Program.

Part of the reason this issue was so critical is because of the huge benefit this Federal Program has for Montana.

- It is the principal funding source for the most important roads in the State: Montana's Interstate, National Highway, Primary, Secondary and Urban Systems.
- Because of a very favorable Federal/State match ratio, Montana leverages about \$6.69 in Federal funds for every state dollar we put up in match.
- For the most part, the highway construction program uses Montana labor and Montana materials—consequently, these funds are not exported but stay in Montana and turn over in our communities.

Two separate Congressional processes work in tandem to deliver Federal Highway Program funds to the states.



AUTHORIZATION

These are multi-year Acts which establish the overall funding levels and framework, program eligibilities, regulations and requirements, state match rates, and set-asides. Of all the issues debated during Congressional action to reauthorize the program, the most contentious is always Federal Highway funding. Specifically, how much and how it is distributed among the states.

The previous authorization, known as the Intermodal Surface Transportation Efficiency Act or ISTEA, expired at the end of September 1997. The Transportation Equity Act for the Twenty-First Century or TEA-21 was enacted on June 9, 1998, and runs through September 2003.

APPROPRIATIONS

Before funding can be actually spent or obligated, there must be a budget go-ahead through the annual appropriations process.

Before TEA-21, it was common that authorizations were dramatically reduced through annual obligation ceilings. This limitation created large budget balances in the Highway Trust Fund while the overall Federal budget was off-set and appeared less negative.

TEA-21 contains new provisions which eliminate any incentive the Appropriators might have to limit the authorization. This makes it more likely that a larger percentage of the authorized funds will actually be used to construct projects and fund transportation programs. This guarantee may well come under attack during the life of TEA-21.

What is Highway Program Reauthorization?



How did Montana do?

Montana's 55th Legislature understood how important the Federal-Aid Highway Program is to the State and anticipated the heated debates of 1997 and Spring of 1998, by passing SJR 9 which urged Congress to achieve the following.

SJR 9 from the 55th Legislature Urges:

Full investment of all Federal Highway Trust Fund balances, interest, and revenue in much-needed transportation and highway infrastructure;

A high level of support for the nation's most important highways, our Interstate System and National Highway System routes;

Fair treatment of Western, rural states in the distribution of Federal-Aid Highway Program funds between states, including recognition that the Western states have vast highway systems that benefit the entire nation and few people to support them;

Regulatory reduction and program streamlining to improve the timeliness and cost-effectiveness of highway project delivery; and

Respect for the uniqueness of each state's approach to managing its transportation system. Solutions in small, densely populated eastern states may not make sense in the west. One size does not fit all, so the federal government should refrain from mandating solutions.

How TEA-21 addresses these Issues:

TEA-21 provides a guarantee that all Highway Trust Fund revenues from the previous year will be made available to the program. (see putting “Trust Back in the Trust Fund,” page 8)

TEA-21 dedicates nearly 40 percent of the entire highway program to the Interstate and National Highway Systems. These systems are essential for Montana, and given the other program flexibilities there is also adequate support for Montana’s Primary, Secondary and Urban routes. (See “Relative Program Growth,” page 10)

TEA-21 increased highway program funding by 40 percent nationwide. Montana’s average increase is slightly over 60 percent. Our neighboring states also won increases that are above the national average. (See “Montana’s Program Growth,” page 9)

TEA-21 sends a message to regulators that they should move in the direction of program streamlining and process improvements and includes specific provisions regarding environmental streamlining. (See “Some New Program Aspects,” page 15)

TEA-21 continues the balance between states, urban areas and local governments relative to cooperation in developing transportation strategies and projects.

How did Montana do?



Putting Trust Back in the Trust Fund



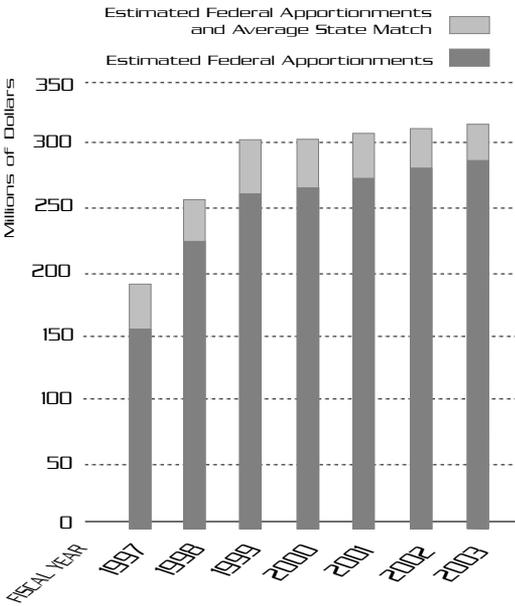
Prior to enactment of TEA-21, funding for the highway and transit programs was one item among many on a list of priorities for Federal program spending within the overall budget. Under new budget rules, enacted in TEA-21, “guaranteed” funding levels are keyed to Federal Highway Trust Fund Account receipts and can only be used to support projects and programs in the Act.

The amount “guaranteed” to be spent on TEA-21 programs is significantly higher than historic levels, but it is likely to act as a floor, since the trust estimates used to establish it were very conservative. Of course, this guarantee could decrease as well as increase if trust fund revenues should fall—but a negative trend is simply not consistent with recent history. Thanks to this provision, funding is likely to actually increase over projected levels as trust fund revenues increase at a greater rate than projected. This guarantee may well be attacked during the life of the Act.

There is also another funding aspect of TEA-21 which will slightly degrade Montana’s share over the six-year period. This provision annually adjusts the “guaranteed” funding to ensure that every state receives at least 90.5 percent of the percentage of their Trust Fund contribution. Since Montana receives back more than \$2 for every dollar of Federal fuel tax collected in the state, we are not one of the donor states where an upward adjustment of our guaranteed percentage will occur. Rather, all except nine or ten states will see their guarantees slightly degrade over the six years. When these two dynamics are considered together, our best estimate is that the increased revenues to the trust fund will off-set small losses in Montana’s percentage share and that we may actually see more funding than projected.

While the upward and downward dynamics of TEA-21's funding structure create some uncertainty, the following graph labeled "Estimated Federal Highway Apportionments for TEA-21" is a best guess of overall apportionments for the TEA-21 years. Note the dramatic increase in highway funding levels from 1997, the last year of ISTEA. On average, about 60 percent growth is expected for the life of the Act. Of this, about 90 percent will be actually available to obligate to projects and programs in the fiscal year. The rest generally goes to run the U.S. Department of Transportation and for some discretionary funding programs.

ESTIMATED FEDERAL HIGHWAY APPORTIONMENTS FOR TEA-21



Note: 1997 was the last year of ISTEA

Montana's Program Growth



Relative Program Growth



Why There Isn't Equal Growth in all the Programs

While TEA-21 includes a dramatic overall increase as shown in the preceding graph, not all the funding categories grew under TEA-21. Of those that did grow, they didn't all increase at the same rate. This trend is shown in the graph labeled "Highway Funding Structure Program Comparisons."

These differences are caused by the underlying distribution formulas for the various programs. Under ISTEA, the previous authorization Act, there was no formula for either the National Highway System (NHS) or the Surface Transportation Program (STP). These two funding categories were simply percentages based on how much a state had received in the previous program. When TEA-21 was enacted, nearly 75 percent of the STP was distributed based on vehicle usage and trust fund contribution. These factors are not good for Montana! Consequently, the STP funding Montana receives has declined.

By contrast, Montana did very well in the National Highway System (NHS) Program. This funding program contains two factors that significantly help Montana—principal arterial lane miles which recognizes the full extent of our NHS, and a factor referred to as "principal arterial lane miles per population." This factor increases NHS funding relative to how many people there are to support maintenance of our Interstate and NHS highways. It is a very good factor for Montana and entered the debates through a Senate Bill introduced by Senator Baucus and co-sponsored by Senator Burns along with other Western and Midwestern Senators. It recognizes the huge level of effort made by every Montanan in

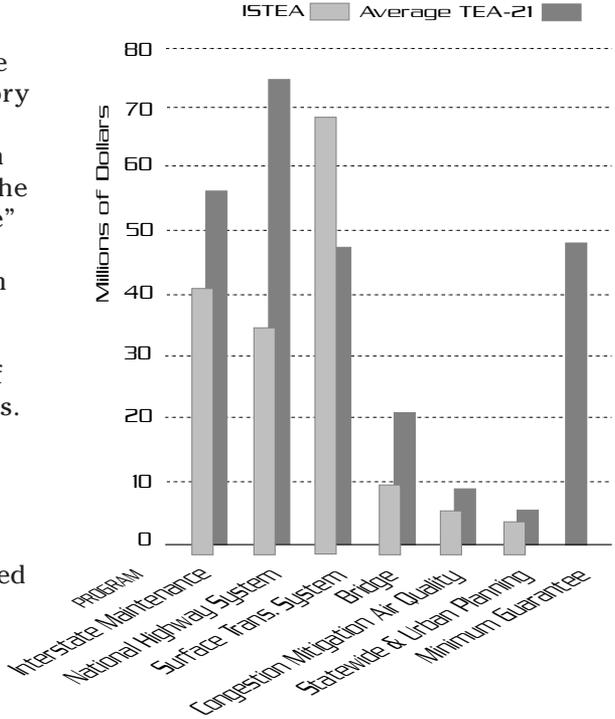
maintaining routes that directly benefit the nations economy.

The first table on the right shows a category by category funding comparison between ISTEA and TEA-21. The “minimum guarantee” category is a new funding area that can be used to meet transportation program needs in any of the funding programs.

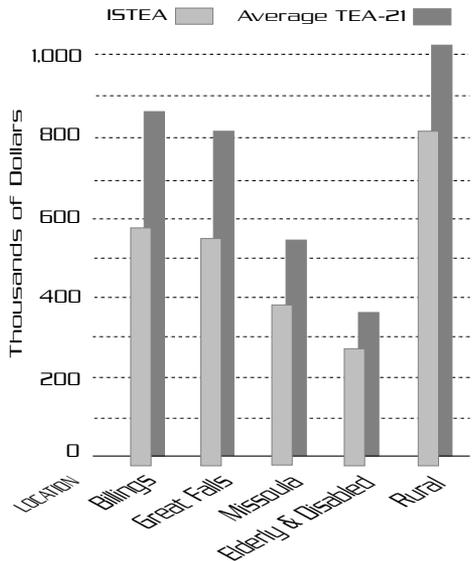
Increases For Transit

The Federal Transit Program also increased significantly. The second table on the right shows Transit distributions under TEA-21 versus ISTEA. Overall average program growth was over 45 percent. Funds for the Rural Transit program support nine general public systems which include fixed-route and dial-a-ride service. The Elderly and Disabled Program provides transportation support for more than 70 providers. Additional funding for transit may become available if Appropriators approve funding above the guaranteed levels.

HIGHWAY FUNDING STRUCTURE PROGRAM COMPARISONS



GUARANTEED FEDERAL TRANSIT PROGRAM FUNDING



TEA-21 Funding Flexibilities

In general, “funding flexibilities” are simply provisions that permit funds to be transferred between program categories. Funding flexibility is extremely important as it ensures support for the strategies and projects identified by each state’s unique transportation planning process. TEA-21 includes important flexibility provisions including those discussed here.

Minimum Guarantee allows Secondary and Urban Programs to Share in TEA-21 Program Growth

When ISTEA eliminated the Federal-Aid Secondary and Urban Programs, the Surface Transportation Program (STP) became the funding source for these systems which were continued through State statute. While some local governments have expressed concern with the decrease in the STP previously discussed, funding the Secondary and Urban Systems is really not an issue since other TEA-21 funds are transferable into this program.

For example, the “Minimum Guarantee” funding category can be transferred to any other program. The Transportation Commission has approved using these funds to support a 60 percent increase in funding for the Urban and Secondary programs. This growth is about the same as the overall program growth for the State and will ensure that Montana’s local governments also share in the benefits of TEA-21.

Congestion Mitigation and Air Quality Improvement (CMAQ) Program Provision Supports a Pro-Active Approach

Some TEA-21 program categories distribute funds with minimum apportionment guarantees. For example, in the CMAQ Program, Montana receives a minimum apportionment of .5 percent of the program. Under ISTEA almost all of this was required to be spent in Missoula, because of its air quality designation and classification, even though eleven other Montana cities are also designated as non-attainment for carbon monoxide or particulate.

One of the flexibility provisions of TEA-21 will allow Montana to address air quality

needs in all of the State's non-attainment areas and will also enable the State to address any emerging high-risk air quality areas. This provision is already yielding benefits with the purchase of sweepers and de-icer equipment in 17 Montana communities to address airborne dust from winter sanding. MDT has created the Montana Air and Congestion Initiative (MACI) to take advantage of this provision.

Alternative Transportation Strategies are Supported

TEA-21 continues programs and flexibilities which support alternative transportation strategies.

The enhancement set-aside will continue with the largest percentage of program funding going to bike and pedestrian facilities. MDT's innovative Community Transportation Enhancement Program (CTEP) will continue to be funded at about the same level as under ISTEA.

Support will continue for emerging Transportation Management Associations. These programs such as MR TMA in Missoula and Ravalli counties provide alternatives such as ride-matching and other innovative approaches to transportation access and mobility.

Funding Structure will Support Ramping Up the Program over Time

A new aspect of TEA-21 provides the State with a portion of the annual funding outside the obligation ceiling. What this means in a practical sense is that some of the funds will be available for a longer period of time. Consequently, the program will ramp up over the next two to three years as projects get ready to go.

TEA-21 Funding Flexibilities



Some New Program Aspects

TEA-21 also contains several nationwide discretionary grant programs which may benefit Montana. (Competition for funds available through any of these programs is nationwide and fierce.)

Public Lands Highways Discretionary Grants

Previously, if a state received funding through this program, it would be penalized with an equivalent deduction from the following year's core construction program funds. This penalty was eliminated in TEA-21. While the funding requested through this program is many times more than the \$80 million available nationwide, Montana intends to advance nationally competitive projects that will benefit roads serving federal lands.

Border Crossings and Trade Corridors

This new program makes roughly \$140 million available nationwide for Trade Corridors and Border Crossings. At this time, it is uncertain whether relatively low volume corridors and crossings such as those in Montana will be competitive against some of the nation's higher volume corridors and crossings.

Transportation and Community and System Preservation Pilot Program

This is also a new discretionary grant program funded at \$25 million a year nationally. The intent is to support plans and implementation strategies which integrate transportation with community and system preservation plans and practices.



Mandates May Move Highway Construction Funds into Safety Program

TEA-21 also contains two provisions aimed at reducing DUI. These provisions target open containers and repeat offenders. Both provisions require State legislation. If no legislative action is taken, the mandate will require a transfer of over \$10 million annually into Highway Traffic Safety and Hazard Elimination Programs.

Provision Directs USDOT to Streamline the Environmental Process

One important provision of TEA-21 directs USDOT to develop agreements with regulatory agencies to achieve concurrent rather than sequential environmental reviews. The intent of this provision is to achieve more timely review and permitting of projects while in no way reducing substantive environmental protections.

Planning Process Streamlined

TEA-21 maintains an in-depth transportation planning process with significant public involvement. Modest changes to the planning process include new participation by freight interests and transit users. Also, TEA-21 replaces a very detailed list of factors with seven broad areas for consideration, provides funding flexibilities, and protects against court challenge and environmental approvals at the planning stage.

Bike/Pedestrian Considerations Throughout the Program

TEA-21 makes all program categories eligible for expenditure as appropriate on bike/ped projects, and it continues the dedicated enhancement set-aside which funds many bike/ped projects in Montana's communities.

Some New Program Aspects



Contacts

Statewide Transportation Improvement Program

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Public Lands Discretionary Grants

Project Analysis Supervisor 444-7639

Border Crossings/Trade Corridors

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Transportation and Community & System Preservation Pilot

Urban Supervisor 444-3445

Secondary System/Funding Program

Secondary Roads Engineer 444-6110

Urban System/Funding Program

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Enhancement Program

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Congestion Mitigation & Air Quality Improvement/Montana Air & Congestion Initiative

Multimodal Planning Chief 444-7289

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